

Exhibit No. 2
 Date 1-29-07
 Bill No. SB-247



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 Montana Public Employee Retirement Administration

SB 247 – Revise Minimum Benefit in HPORS

The Public Employees' Retirement Board (PERB) respectfully opposes this legislation.

- ❖ The PERB has a fiduciary responsibility to administer its retirement systems and trust funds acting in the best interests of the members and beneficiaries.
- ❖ The PERB established a Funding and Benefit Policy providing general principles to provide a framework for the consistent evaluation of legislative proposals.
- ❖ The PERB's policy includes the principle that all new legislative proposals include a provision for financing the cost of the proposal.
- ❖ This legislation affects a finite group of retirees in the Highway Patrol Officers' Retirement System. The legislature needs to consider a fairness/policy decision of providing an increase to a finite group which may lead to leapfrogging within the system.

HPORS Retirees

	GABA	Non-GABA	Total
Retirees	161	121	282
Average	57%	43%	

- ❖ This group of retirees made a conscious decision to not choose the guaranteed annual benefit (GABA). The GABA provides those members' an annual increase of 3%.
- ❖ This groups annual increase is based on the highway patrol officers' probationary salary. Last fiscal year the average increase for this group of retirees was 5%.

- ❖ In addition, this group of retirees receives an additional supplemental benefit under 19-6-709, MCA. This is a one-time annual payment with their September benefit. September 2006, the benefit was \$2,454. This would be an approximate increase of \$204/month, an average increase of 4%. Over the last 10 years the average increase has been 3%.
- ❖ The PERB's actuary, Mark Johnson, Milliman Consultants and Actuaries estimated the fiscal impact of the proposed legislation. Based on his analysis, the actuarial impact of the legislation is as follows:
 - Eliminating the 5% annual limitation to the increase in the minimum benefit adjustment for non-GABA retirees creates a significant increase to some members' benefit immediately upon passage.
 - The proposal increases the Unfunded Actuarial Liability by almost \$6M (\$5,976,000).
 - The proposal increases the Amortization Period by 6.8 years. The current Amortization period is 18 years.
 - The cost to maintain the current amortization period is an additional 5.6% of compensation.
- ❖ The effective date should be with the July 2007 benefit. To alleviate the immediate effective impact on the benefit.
- ❖ We recommend that the legislature consider policy/fairness decisions, current funding status of the HPORS and identify funding options to pay for the increase when taking action on this legislation.